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0478 Welfare Oversight Committee

Colorado Legislative Council

Welfare Oversight Committee

Report to the

COLORADO

GENERAL ASSEMBLY

Colorado Legislative Council
Research Publication No. 478
December 2000

RECOMMENDATIONS FOR 2001

WELFARE OVERSIGHT COMMITTEE

Report to the
Colorado General Assembly

Research Publication No. 478
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COLORADO GENERAL ASSEMBLY

LEGISLATIVE COUNCIL

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December 2000

To Members of the Sixty-second General Assembly:

Submitted herewith is the final report of the Welfare Oversight Committee. This committee was created pursuant to Section 26-2-722, Colorado Revised Statutes. The purpose of the committee is to oversee the Colorado Works Program and its implementation by the counties.

At its meeting on October 16, 2000, the Legislative Council reviewed the report of this committee. A motion to forward this report and the bills therein for consideration in the 2001 session was approved.

Respectfully submitted,

/s/ Representative Doug Dean
Chairman
Legislative Council

DD/JH/jh

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WELFARE OVERSIGHT COMMITTEE

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EXECUTIVE SUMMARY

Committee Charge

Pursuant to Section 26-2-722, Colorado Revised Statutes, the Legislative Welfare Oversight Committee (consisting of all members of the House and Senate Health, Environment, Welfare and Institutions Committees) has the responsibility of overseeing the Colorado Works Program and its implementation by the counties. This report summarizes the aspects of the Works Program that have been considered and any recommended legislation.

Committee Activities

The committee held two meetings during the 2000 interim. These meetings focused on the current status of the Colorado Works Program, the recommendations of the Governor's Task Force on Welfare Reform and the State Auditor's evaluation of the Colorado Works Program. The committee also heard from advocates of the Colorado Works Program. The State Auditor's evaluation of the Works Program will be presented to the Legislative Audit Committee and Welfare Oversight Committee on December 4, 2000. The bills recommended this year pertain to the Colorado Works Program.

Committee Recommendations

As a result of committee discussion and deliberation, the committee recommends two bills for consideration in the 2001 legislative session.

Bill A — Earned Income Disregards. Families who receive cash assistance under the Colorado Works Program frequently have difficulty in making financial ends meet when going directly from welfare to work. The purpose of the earned income disregard is to exclude a portion of a person's earnings for purposes of eligibility in the Colorado Works Program. Currently, Colorado disregards $90 for employment expenses, then the first $30 of income plus one-third of the income after that deduction. Bill A provides a phased-in approach by increasing the amount of income earned that is disregarded from one-third to two-thirds of the participant's gross income for the first year, and then returning back to one-third of their income in the second year.

Bill B — Requirements for Reporting Earnings for Transitional Medicaid. Colorado Works participants also need continuing health coverage when entering the workforce. Transitional Medicaid provides access to health care for Works participants who have started working but are unable to obtain health insurance through their employers, by ensuring that their families can access Medicaid. Once participants have earned income, the household is automatically eligible for six months of Transitional Medicaid, but they must report earnings every four and eight months, regardless of any income changes. Bill B directs the State Medical Services Board to promulgate rules requiring Transitional Medicaid recipients to report earnings only if there has been a change in circumstances that could cause their income to exceed the income limit for that program.

Statutory Authority and Responsibilities

The passage of federal and state welfare reform legislation in 1996 and 1997 provided three significant changes: 1) it changed cash assistance for poor families with dependent children from an "entitlement" to a "block grant" subject to an annual appropriation process; 2) it created a "work-first" model of welfare reform in contrast to the previous Family Support Act model which emphasized education and training; and 3) it created definitive time limits (24 cumulative months in which to find a job or be judged job-ready; and a 60-month lifetime limit in which assistance can be received).

The Colorado Works Program, effective July 1, 1997, replaced the former Aid to Families with Dependent Children (AFDC) and the JOBS Program. The Colorado Works Program provides the state the authority it needs to meet federal welfare reform requirements. The program also creates a work-first approach to reform that delegates or devolves most of the decision-making responsibility and authority for designing welfare reform in Colorado to the county level.

Pursuant to section 26-2-722, C.R.S., the Legislative Welfare Oversight Committee has the responsibility of overseeing the Colorado Works Program and its implementation by the counties.

The committee consists of the members of both the House and Senate Health, Environment, Welfare, and Institutions Committees. The statute directs the oversight committee to:

- submit an annual report;
- summarize the aspects of the Colorado Works Program that have been considered and propose any recommended legislative changes; and
- make recommendations concerning how to allocate any funds that the state receives as an illegitimacy bonus reward from the federal government. In making its recommendations on this issue, the committee shall consider how to make allocations based upon individual counties' success in reducing illegitimacy.

COMMITTEE ACTIVITIES

Current Status of the Program

The Colorado Works Program started July 1, 1997, as required by statute. The Welfare Oversight Committee has met eight times since it was created in 1997. When the committee first met in October of 1997, the focus was on county implementation of welfare plans and any problems that counties were encountering. Representatives of the Colorado Department of Human Services (DHS), Colorado Counties, Inc., county departments of social services and advocates of Colorado Works Program clients have all testified on the status of the program. In its second, and third years, the committee continued to receive updates on the status of the Colorado Works Program from the state and counties, as well as clients and advocates. The committee also was briefed on the State Auditor's evaluation of the state's welfare program and the federal illegitimacy bonus reward fund.

The committee received an update on the Colorado Works Program caseload statistics which indicates there has been a continuing decrease in the number of individuals on welfare in Colorado. At the end of June 2000, there were approximately 12,000 cases, down from 26,000 in July of 1997. Total Works expenditures decreased from \$125 million to \$106 million in the past year. The total of all Colorado county reserve balances was approximately \$94 million as of June 30, 2000. The committee discussed barriers to employment, the availability of low cost housing and assistance with transportation; the need for transitional health care; affordable child care; and the collection of data for the Works Program. Statewide, the federal work participation rate for all families for federal fiscal year 1999-2000 is 30 percent, down from 34.3 percent from the previous fiscal year. Statewide, the federal work participation rate for two-parent families for federal fiscal year 1999-2000 is 44.6 percent, up from 42.7 percent for the previous fiscal year.

State Auditor's Evaluation of the Colorado Works Program

Senate Bill 98-185 required the Office of the State Auditor to oversee a longitudinal evaluation of the outcomes resulting from the Colorado Works Program, to evaluate its success in moving participants out of poverty and toward self-sufficiency, and to provide specific, solution-based recommendations for program improvements. The State Auditor released the request for proposal (RFP) for the evaluation on August 1, 1998, and a preliminary report was issued in December of 1999. The final presentation to the Audit Committee is expected in December of 2000.

As part of developing the RFP, the state auditor sought input from the Welfare Oversight Committee, the Department of Human Services, Colorado Counties, Inc., individual counties that are not affiliated with Colorado Counties, national organizations, and representatives of advocate groups. The evaluation will focus on program outcomes. The following issues are included in the Colorado Works Program evaluation:

Population characteristics and demographics. The evaluation will identify and collect basic information on all Colorado Works Program participants, including demographic information, welfare history, and characteristics that contribute to or inhibit employment success.

Preparing for employment. The evaluation will assess the success of the Works Program in preparing participant groups for employment by evaluating the assessment, case management, education, and training services provided by counties, employers, and other organizations.

Employment and self-sufficiency. The evaluation will assess the effectiveness of the Works Program in assisting participants with obtaining and retaining employment, moving out of poverty, and attaining self-sufficiency.

Quality of life for children and families. The evaluation will assess the impact of the Works Program on the well-being of participants and their children and families.

Statewide issues. The evaluation will assess the impact of the Works Program on issues of concern to state policy makers, such as 1) changes in the utilization of state-funded assistance programs in Medicaid, federally funded food stamps, child care, mental health, substance abuse, and child welfare programs; 2) changes in utilization of local programs and services, such as homeless shelters, food pantries, and other services provided by churches and charities; 3) the effectiveness of funding policies in addressing service gaps and moving participants toward employment; 4) the economic costs and benefits of bringing participants to self-sufficiency; 5) the performance of the Colorado Works Program compared with welfare reform programs operating in other states; and 6) participant attitudes toward work and their satisfaction with Works Program services.

Federal Illegitimacy Bonus Reward

Section 26-2-722, C.R.S., requires the Welfare Oversight Committee to make recommendations about how to allocate funds that the state receives as an illegitimacy bonus reward from the federal government. In making its recommendations, the Welfare Oversight Committee will make allocations based upon individual counties' success in reducing illegitimacy.

One incentive for states to reduce their out-of-wedlock birth rate is bonus money. Each year the federal government awards $100 million annually nationwide to states that show the highest reduction in abortions and births to unmarried mothers. The award is split among these selected states and is based upon birth and abortion data for the state population as a whole, and not on data for the Colorado Works Program. In order to receive the bonus, states must compare consecutive two-year periods and prove that the decline is not caused by an increase in abortions. All states are then compared with each other in regard to how much the birth rates have decreased within each state. In addition, states must also show that the number of abortions performed is less than the number performed in 1995, the baseline year.

Colorado's percentage of out-of-wedlock births increased by 2.25 percent when the ratio of out-of-wedlock births for 1997 and 1998 is compared to the ratio of such births for 1995 and 1996. The number of reported abortions in Colorado decreased in 1998 when compared to the index year of 1995. Reported abortions decreased from 9,384 in 1995 to 7,493 in 1998.

Colorado is not among the five states with the "largest proportionate decrease" in the rate of out-of-wedlock births because the state's illegitimacy rate has been significantly below the national percentage (more than 5 percentage points) since 1980. For example, in 1998, Colorado was 7.3 percentage points below the national percentage of illegitimate births (25.5 percent *vs.* 32.8 percent nationally); while the overall birth rate was almost the same as the national birth rate (14.7 percent in Colorado compared to 14.6 percent nationally per 1,000 population.) In other words, there is less room for "a proportionate decrease" in Colorado when compared to other states.

Governor's Task Force on Welfare Reform

Established in 1999 through executive order, the mission of the group is to make recommendations concerning the ongoing implementation of welfare reform. The Task Force examined welfare reform in Colorado through a series of meetings and site visits throughout the state. The Task Force looked at health care, including Medicaid, as well as child care, food assistance and housing. The Task Force presented a variety of recommendations that might be implemented at all levels. These levels include county departments, state agencies, state boards, Congress and the state legislature.

The Task Force made three major recommendations. First, counties need to work more intensively with Colorado Works participants through better case management so these individuals may be more successful in the long run. The second recommendation is to provide transitional health care benefits which are necessary to support the participants who are entering the workforce and who may not be able to access insurance through their employers. The last recommendation is to place a greater emphasis on outcome measures for the program that focus on as many participants as possible attaining complete self- sufficiency.

Income Disregards

Issue. The goal of the Colorado Works Program is to help families become self-sufficient. However, families who receive cash assistance under the Colorado Works Program frequently have difficulty in making financial ends meet when going directly from welfare to work. The Governor's Task Force found that these families simply needed to keep their eligibility, but be able to keep more of their earnings in order to make the transition. The purpose of the earned income disregard is that you exclude a portion of a person's earnings for purposes of eligibility in the Colorado Works Program. Colorado operates with the old Aid to Families with Dependent Children (AFDC) earnings disregard that excludes $90 for employment expenses, then the first $30 of income plus one-third of their income after that deduction.

Recommendation. Bill A provides a phased-in approach by increasing the amount of income earned that is disregarded from one-third to two-thirds of the participant's gross income for the first year, and then returning back to one-third of their income in the second year. This approach will help those families that are at or near minimum wage better make the transition from welfare-to-work by allowing them to keep more of their earnings. By allowing families to keep their eligibility for a longer period of time, Colorado Works Program staff would be able to continue to provide participants with post-employment services.

Extend Automatic Eligibility for Transitional Medicaid

Issue. Colorado Works participants also need continuing health coverage when entering the workforce. Often, participants are not provided with health insurance through their employer, and either go without insurance, or end up returning to public assistance in order to maintain health care to treat an ongoing medical condition. Transitional Medicaid provides access to health care for Works participants who have started working but are unable to obtain health insurance through their employers, by ensuring that their families can access Medicaid. Once participants have earned income, the household is automatically eligible for six months of Transitional Medicaid which may be extended for another six months depending on the amount of earned income. Currently, individuals must automatically report earnings every four and eight months, regardless of any income changes. Currently, families who receive cash assistance under Colorado Works Program can get Medicaid automatically.

Recommendation. Bill B directs the State Medical Services Board to promulgate rules requiring Transitional Medicaid recipients to report earnings only if there has been a change in circumstances that could cause their income to exceed the income limit for that program.

Summary of Recommendations

As a result of the committee's activities, the following bills are recommended to the Colorado General Assembly.

Bill A — Concerning Earned Income Disregards for the Colorado Works Program

Families who receive cash assistance under the Colorado Works Program frequently have difficulty in making financial ends meet when going directly from welfare-to-work. The purpose of the earned income disregard is to exclude a portion of a person's earnings for purposes of eligibility in the Colorado Works Program. Currently, Colorado disregards $90 for employment expenses, then the first $30 of income plus one-third of the income after that deduction. Bill A provides a phased-in approach by increasing the amount of income earned that is disregarded from one-third to two-thirds of the participant's gross income for the first year, and then returning back to one-third of their income in the second year. The fiscal note indicates that there is no fiscal impact for this proposal.

Bill B — Concerning Transitional Medicaid

Colorado Works participants also need continuing health coverage when entering the workforce. Transitional Medicaid provides access to health care for Works participants who have started working but are unable to obtain health insurance through their employers, by ensuring that their families can access Medicaid. Once participants have earned income, the household is automatically eligible for six months of Transitional Medicaid, but they must report earnings every four and eight months, regardless of any income changes. Bill B directs the State Medical Services Board to promulgate rules requiring Transitional Medicaid recipients to report earnings only if there has been a change in circumstances that could cause their income to exceed the income limit for that program. The fiscal note indicates that it would cost approximately $4.4 million to implement this proposal.

Resource Materials

The resource materials listed below were provided to the committee or developed by Legislative Council Staff during the course of the meetings. The summaries of meetings and attachments are available at the Division of Archives, 1313 Sherman Street, Denver. For a limited time, the meeting summaries and materials developed by Legislative Council Staff are available on our web site at: www. state.co. us/gov_dir/leg_dir/lcsstaff/2000/00interim.

Meeting Summaries	Topics Discussed
September 14, 2000	Status of Colorado Works Program State Auditor's Evaluation of the Colorado Works Program Governor's Task Force on Welfare Reform Ideas for Legislation
October 2, 2000	Consideration of Proposed Legislation

Memoranda and Reports

Department of Human Services, Office of Self-Sufficiency, *Welfare Reform in Colorado, Presentation to the Legislative Welfare Oversight Committee,* September 14, 2000.

A Request for Proposal to Evaluate the Colorado Works Program, Office of the State Auditor, August 1998.

Moving Forward With Welfare Reform, A Report Of The Governor's Task Force on Welfare Reform, September 12, 2000.

Bill A

HOUSE SPONSORSHIP
Hefley, Hagedorn, Lawrence, and Tochtrop

SENATE SPONSORSHIP
Epps, Evans, and Linkhart

A BILL FOR AN ACT

CONCERNING EARNED INCOME DISREGARDS FOR THE COLORADO WORKS PROGRAM.

Bill Summary

(Note: This summary applies to this bill as introduced and does not necessarily reflect any amendments that may be subsequently adopted.)

Welfare Oversight Committee. Increases the amount of income earned that is disregarded for purposes of eligibility for the Colorado works program. Provides for an income disregard of two-thirds of gross income for a maximum of one year and in the second year allows for an income disregard based upon the current income disregard. States that the calculation for determining the participant's gross income shall be adjusted accordingly.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. 26-2-709 (1) (a), Colorado Revised Statutes, is amended to read:

26-2-709. Benefits - cash assistance - programs. (1) **Basic assistance grant.** (a) Except as provided in this part 7 and subject to available appropriations, a participant shall receive a basic assistance grant in the amount of the AFDC cash grant that such participant would have received under rules governing the AFDC program in Colorado that were in effect on July 16, 1996, ~~including the rules allowing income disregards~~ except for the child care disregard which shall be paid pursuant to the provisions of part 8 of this article. THE EARNINGS INCOME DISREGARD FOR COLORADO WORKS SHALL BE TWO-THIRDS OF THE PARTICIPANT'S GROSS INCOME AND SHALL BE APPLIED FOR A MAXIMUM OF ONE YEAR. THE GROSS INCOME TEST SHALL NOT APPLY TO A PARTICIPANT OF COLORADO WORKS FOR A MAXIMUM OF ONE YEAR. IN THE SECOND YEAR, THE INCOME DISREGARD FOR COLORADO WORKS SHALL CONSIST OF AN EMPLOYMENT EXPENSE DISREGARD OF NINETY DOLLARS AND A DISREGARD OF THIRTY DOLLARS PLUS ONE-THIRD OF THE PARTICIPANT'S GROSS INCOME FOR FOUR CONSECUTIVE MONTHS. FOR THE FOLLOWING EIGHT CALENDAR MONTHS AFTER FOUR CONSECUTIVE MONTHS IN WHICH THE THIRTY DOLLAR AND ONE-THIRD DISREGARD WAS APPLIED, THE INCOME DISREGARD FOR COLORADO WORKS SHALL CONSIST OF AN EMPLOYMENT EXPENSE DISREGARD OF NINETY DOLLARS AND A THIRTY-DOLLAR DISREGARD. THE CALCULATION FOR DETERMINING THE PARTICIPANT'S COUNTABLE INCOME SHALL BE ADJUSTED ACCORDINGLY TO REFLECT CHANGES IN THE AMOUNT OF THE EARNED INCOME DISREGARD. No increase in the amount of the basic assistance grant approved by the state board shall take effect unless the funding for such increase is included and identified specifically in the annual general appropriations act or a supplemental appropriations act.

for such increase is included and identified specifically in the annual general appropriations act or a supplemental appropriations act.

SECTION 2. Safety clause. The general assembly hereby finds, determines, and declares that this act is necessary for the immediate preservation of the public peace, health, and safety.

DRAFT

Bill A

Colorado Legislative Council Staff

NO FISCAL IMPACT

Drafting Number:	LLS 01-0171	**Date:**	December 8, 2000
Prime Sponsor(s):	Rep. Hefley Sen. Epps	**Bill Status:**	Welfare Oversight Committee
		Fiscal Analyst:	Janis Baron (303-866-3523)

TITLE: CONCERNING EARNED INCOME DISREGARDS FOR THE COLORADO WORKS PROGRAM.

Summary of Assessment

The bill increases the amount of earned income that can be disregarded for the purposes of calculating a participant's eligibility for the Colorado Works Program. For year one, the earned income disregard shall be $30 plus two-thirds of the participant's gross income. The gross income test shall not apply to a Colorado Works participant for a maximum of one year. For year two, the earned income disregard shall be $30 plus one-third of the participant's gross income for four consecutive months. For the following eight calendar months, the income disregard shall be $30. The bill is effective upon signature of the Governor.

The bill is assessed at having no fiscal impact. Colorado allocates money to the counties in the form of county block grants for the Colorado Works Program, with each county responsible for operating the program within its allocation. Although the bill mandates changes regarding earned incomes disregards, counties have sufficient policy discretion to comply with the bill and operate within their allocations. No added spending authority of state, county, or federal funds is required.

The Department of Human Services indicates that although programming changes will be necessary to calculate earned income disregards on its automated systems, the cost of such changes will be small and can be absorbed within existing appropriations.

The bill will likely result in increased expenditures from the county block allocations. Counties may see recipients qualifying for the Colorado Works Program for longer periods of time, even though they are working. This fiscal note assumes that unspent county block grant moneys, currently maintained in county reserve accounts, are adequate to finance any added expenditures that may result from participants' longer periods of eligibility. For FY 2000-01, County Reserve Accounts include approximately $72.7 million. Additionally, the Short-term Works Emergency Fund is available to counties. For FY 2000-01, this fund includes $3.0 million.

Departments Contacted

Human Services

Bill B

HOUSE SPONSORSHIP

Tochtrop

SENATE SPONSORSHIP

Linkhart

A BILL FOR AN ACT

CONCERNING TRANSITIONAL MEDICAID.

Bill Summary

(Note: This summary applies to this bill as introduced and does not necessarily reflect any amendments that may be subsequently adopted.)

Welfare Oversight Committee. Directs the medical services board to promulgate rules to do the following:

Require transitional medicaid recipients to report earnings only if there has been a change in circumstances that could cause their income to exceed the income limit for that program.

Disregard for purposes of eligibility determination up to the first 3 months of salary once a "1931 medicaid recipient" becomes employed.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. Article 4 of title 26, Colorado Revised Statutes, is amended BY THE ADDITION OF A NEW SECTION to read:

26-4-110.7. Transitional medicaid - rules. (1) THE MEDICAL SERVICES BOARD SHALL PROMULGATE RULES THAT DO THE FOLLOWING:

(a) REQUIRE TRANSITIONAL MEDICAID RECIPIENTS TO REPORT EARNINGS ONLY WHEN THERE HAS BEEN A CHANGE OF CIRCUMSTANCES THAT COULD CAUSE THE RECIPIENT TO EXCEED THE TRANSITIONAL MEDICAID INCOME LIMIT; AND

(b) Disregard for the purpose of eligibility determination one hundred percent of an individual's salary for a period not to exceed three months once a 1931 medicaid recipient becomes employed. The amount of time of the income disregard shall be equal to three months minus the amount of time the individual has been a 1931 medicaid recipient.

SECTION 2. 26-4-103 (1), Colorado Revised Statutes, is amended, and the said 26-4-103 is further amended BY THE ADDITION OF A NEW SUBSECTION, to read:

26-4-103. Definitions. As used in this article, unless the context otherwise requires:

(1) ~~"Applicant" means any person who has applied for benefits under this article.~~ "1931 MEDICAID RECIPIENT" MEANS ANY PERSON WHO IS ELIGIBLE FOR MEDICAID AS PROVIDED IN SECTION 26-4-201 (1) (a), 26-4-301 (1) (a), OR 26-4-301 (1) (o) AND REFERS TO SECTION 1931 OF TITLE XIX OF THE FEDERAL "SOCIAL SECURITY ACT", 25 U.S.C.A. SEC. 1931.

(1.5) "APPLICANT" MEANS ANY PERSON WHO HAS APPLIED FOR BENEFITS UNDER THIS ARTICLE.

SECTION 3. Effective date. This act shall take effect July 1, 2001.

SECTION 4. Safety clause. The general assembly hereby finds, determines, and declares that this act is necessary for the immediate preservation of the public peace, health, and safety.

DRAFT

Bill B

Colorado Legislative Council Staff

STATE FISCAL IMPACT

Drafting Number:	LLS 01-0172	**Date:**	December 8, 2000
Prime Sponsor(s):	Rep. Tochtrop Sen. Linkhart	**Bill Status:**	Welfare Oversight Committee
		Fiscal Analyst:	Janis Baron (303-866-3523)

TITLE: CONCERNING REQUIREMENTS FOR REPORTING EARNINGS FOR TRANSITIONAL MEDICAID.

Fiscal Impact Summary	FY 2001/2002	FY 2002/2003
State Revenues General Fund		
State Expenditures General Fund Cash Fund Exempt Federal Fund	 $ 2,210,786 279,878 2,231,351	 $ 2,665,923 326,524 2,690,403
FTE Position Change	0.0 FTE	0.0 FTE
Other State Impact: None		
Effective Date: July 1, 2001		
Appropriation Summary for FY 2001/2002: Department of Health Care Policy and Financing	$ 4,442,137 TOTAL 2,210,786 GF 2,231,351 FF	
Department of Human Services	$ 279,878 CFE - Transfer	
Local Government Impact: None		

Summary of Legislation

The bill requires the Medical Services Board to promulgate rules to: (1) require Transitional Medicaid recipients to report earnings only if there has been a change in circumstances that could cause their income to exceed the Transitional Medicaid income limit; and (2) disregard, for purposes of eligibility determination, up to the first three months of salary once a "1931 Medicaid recipient" becomes employed.

State Expenditures

The bill's fiscal impact is estimated at $4,442,137 in FY 2001-02 and $5,356,326 in FY 2002-03. Costs will be incurred in both the Department of Health Care Policy and Financing (DHCPF) and the Department of Human Services (DHS) according to the following components: Medicaid premiums; mental health capitation services; Medicaid Management Information System (MMIS) claims processing; and Medicaid authorization cards.

The table on page 3 identifies the costs incurred under the bill. The DHCPF indicates that as this bill goes through the process, both the caseload and cost-per-person estimates will change. Current costs are based on the department's budget submission for FY 2001-02. Prior to setting figures for FY 2001-02 funding, the department will revise caseload and cost-per-person numbers on February 15, 2001.

Background. The DHCPF states that Transitional Medicaid is a category of Medicaid assistance available to families who are no longer eligible for the 1931 Medicaid eligibility category (formerly known as AFDC Medicaid for adults and their dependent children) due to income earned through employment. Transitional Medicaid is provided to families transitioning from public assistance to employment for up to one year after they become employed. Transitional Medicaid benefits are provided only if their income does not exceed 185 percent of the federal poverty level, and they meet other eligibility criteria and fulfill reporting requirements.

Section 26-4-110.7 (1) (a) of the bill — allows Transitional Medicaid recipients to report earnings only when there has been a change of circumstances that could cause them to exceed the Transitional Medicaid income limit. Currently, clients are required to provide income verification to their county eligibility technician on a quarterly basis. If verification is **not** provided, the county eligibility technician is required to close the case, thereby discontinuing Medicaid benefits.

Section 26-4-110.7 (1) (b) of the bill — allows a disregard of 100 percent of an individual's salary for a period not to exceed three months once a 1931 Medicaid recipient becomes employed. Thus, families on 1931 Medicaid would be allowed to remain eligible, regardless of income, for up to three months. In order to qualify for Transitional Medicaid under current policy, families must have been receiving Medicaid 1931 for three of the last six months. Under the bill, the "three of six" rule would no longer present a barrier to qualifying for Transitional Medicaid.

State Appropriations

The fiscal note indicates that the Department of Health Care Policy and Financing should receive an appropriation for $4,442,137 in FY 2001-02. Of the total amount, $2,210,786 is General Fund and $2,231,351 is federal funds. Additionally, the Department of Human Services should receive a cash funds exempt transfer of $279,878 from the appropriation made to the Department of Health Care Policy and Financing.

Departments Contacted

Health Care Policy and Financing   Human Services

Cost Components	FY 2001-02	FY 2002-03
Section 26-4-110.7 (a) — Transitional Medicaid		
Number of Adults Impacted by Proposed Change *	821	912
Number of Children Impacted by Proposed Change *	1,460	1,622
Adult Monthly Medicaid Premium Costs	$338.95	$374.01
Children Monthly Medicaid Premium Costs	$125.15	$132.32
Total — Adult Medicaid Premium Costs (3 months)	**$834,970**	**$1,023,719**
Total — Children Medicaid Premium Costs (3 months)	**$548,084**	**$643,877**
Monthly Per Capita Mental Health Capitation Costs — Adults	$14.91	$15.66
Monthly Per Capita Mental Health Capitation Costs — Children	$14.42	$15.14
Total — Mental Health Capitation Costs (Adults & Children)	**$99,866**	**$116,510**
Section 26-4-110.7 (b) — Salary Disregard		
Number of Adults Impacted by Proposed Change *	465	517
Number of Children Impacted by Proposed Change *	559	622
Adult Monthly Medicaid Premium Costs	$338.95	$374.01
Children Monthly Medicaid Premium Costs	$125.15	$132.32
Total — Adult Medicaid Premium Costs (12 months)	**$1,892,252**	**$2,320,006**
Total — Children Medicaid Premium Costs (12 months)	**$840,078**	**$986,906**
Monthly Per Capita Mental Health Capitation Costs — Adults	$14.91	$15.66
Monthly Per Capita Mental Health Capitation Costs — Children	$14.42	$15.14
Total — Mental Health Capitation Costs (Adults & Children)	**$180,012**	**$210,013**
Other Costs		
MMIS Claims Processing	$41,130	$48,960
Medicaid Authorization Cards	$5,746	$6,333
BILL TOTAL	**$4,442,137**	**$5,356,326**

* Caseload data extrapolated from the Client-Oriented Information Network.